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**Department of Labor and Industries**

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**Agency: 235**

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**Audit Report:** 2003 Statewide Accountability Report

**Finding Number:** 03-23

**Finding:** The Department of Labor and Industries did not provide evidence that it complied with state bid laws when purchasing information technology services totaling more than \$14 million.

**Resolution/Status:** The Department does not concur with this finding. Purchased Service contracts in the Department are competitively bid in compliance with state bid laws. The Department recognizes the General Records Retention Schedule No. 06007 requires thirty-six (36) month retention for our bid files. The Department's Unique Records Retention Schedule No. 59341, as approved by the State Records Committee in 1999, grants the Department authority to retain bid files for only twelve (12) months. However, the Department recognizes there is confusion on which schedule applies to these files. As a result, the Department has submitted updated retention schedules to the Secretary of State that, when approved, will supercede all other schedules on retention of contracts and supporting documentation.

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**Department of Labor and Industries**

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**Agency: 235**

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**Audit Report:** 2003 Statewide Accountability Report

**Finding Number:** 03-34

**Finding:** The Department of Labor and Industries removed equipment that cost more than \$133,000 from its inventory system without evidence that it had done a reasonable search for the missing items. The Department did not report these losses and additional equipment losses of \$128,000 to the State Auditor's Office as required by state law.

**Resolution/Status:** The Department concurs with this finding. The Department has developed a form that includes documentation of the search activities taken when an inventoried asset is reported as lost/stolen. The Department also started reporting inventoried asset losses to the State Auditor by email.

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**Department of Labor and Industries**

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**Agency: 235**

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**Audit Report:** 2003 Statewide Accountability Report

**Finding Number:** 03-38

**Finding:** More than \$5.8 million in employer industrial insurance premium payments recorded as being received by the Department of Labor and Industries between July 2002 and December 2002 were not reflected as being deposited in the industrial insurance accounts. The Department was unable to account for this difference.

**Resolution/Status:** The Department concurs with this finding and has taken the following corrective actions:

- ## Accounting Services has implemented a daily reconciliation process. This reconciliation uses the Cashier Daily Balancing Control Report (RP15065A) produced by the Employer Accounting System Enhancement (EASE) and updated by the Cashier's Office for the day's activities. All EASE cash receipts (cash, check, EFT, IAP, journal vouchers) reported daily on the RP15065A report are reconciled at the Agency Financial Reporting System (AFRS) document level by Accounting Services. Reconciliation documentation is maintained in Accounting Services. This reconciliation process verifies EASE receipt activity with AFRS, as required in the condition. In addition, a monthly reconciliation process is being implemented as well.
- ## Current day and prior date receipts activity reported on the employer accounts report used by the cashiers for the daily balancing is emailed daily to the Cashier's Office, Accounting Services, Employer Services staff and the Financial Services program manager, which removes the opportunity for the Cashier to conceal or destroy backdated transaction reporting. Backdated EASE postings are shown as a separate day's activity on the emailed report.
- ## Cash receipts (CashRec) activity is reported to the Financial Services program manager on a bi-weekly basis. The CashRec information is reviewed by the program manager using cashier records. In addition, per the recommendation of the State Auditor's Office, Cashier staff approves each other's end of day totals.

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**Department of Labor and Industries**

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**Agency: 235**

**Audit Report:** 2003 Statewide Accountability Report

**Finding Number:** 03-39

**Finding:** The Department of Labor and Industries does not have adequate internal controls over cash receipts and disbursements in its Self Insurance section.

**Resolution/Status:** The Department concurs with this finding. Additional staff were hired effective May 3, 2004, to assist with the separation of duties. With these new individuals, the Department is able to separate the duties of receipting and disbursing of cash, which allows for the required controls recommended in the audit. The Department also implemented an additional lock box, effective on October 1, 2003, to further reduce the volume of payments received in the mail. For checks that continue to be received in the unit, the Department has implemented a program to contact the self-insured employer and to encourage their usage of the lock box facility. The Department has also added the lock box address on orders and notices requesting payment.

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**Department of Labor and Industries**

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**Agency: 235**

**Audit Report:** 2003 Statewide Accountability Report

**Finding Number:** 03-40

**Finding:** The Department of Labor and Industries does not perform a periodic reconciliation between its unique disbursement systems and the financial system.

**Resolution/Status:** The Department concurs with this finding. The unique disbursement systems identified in the finding were not originally designed to support periodic reconciliation to the Agency Financial Reporting System (AFRS) for payment transactions. The Department is seeking options available to improve the reconciliation for systematic payments within its resource allowances.

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**Department of Labor and Industries**

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**Agency: 235**

**Audit Report:** 2003 Statewide Accountability Report

**Finding Number:** 03-50

**Finding:** The Department of Labor and Industries did not allocate indirect costs equitably among its programs and funds.

**Resolution/Status:** The Department has developed an indirect cost allocation methodology. The Department hired an outside consulting firm with experience developing indirect cost allocation models in April 2003 to assist in the effort.

An assessment was completed within Administrative Services to evaluate allocation alternatives for each cost center and a blended model was developed based on that assessment. The Department received Legislative approval during the 2004 Legislative Session to distribute costs based on the new cost allocation methodology.

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**Department of Labor and Industries**

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**Agency: 235**

**Audit Report:** 2003 Statewide Accountability Report

**Finding Number:** 03-51

**Finding:** The Department of Labor and Industries destroyed inventory records prior to the approved destruction date.

**Resolution/Status:** The Department concurs with this finding. An incorrect records retention schedule was used resulting in premature destruction of records. The error has been corrected.

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